Retirement Program Plan for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee

Financial Statements and Supplemental Schedules with Report of Independent Auditors

December 31, 2007 and 2006

Retirement Program Plan for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee

December 31, 2007 and 2006

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[*] Other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act ("ERISA") of 1974 have been omitted because they are not applicable.

INDEPENDENT AUDITORS' REPORT

To the Participants and Administrator of the
Retirement Program Plan for Employees of Certain Employers
at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee

We have audited the accompanying statements of net assets available for benefits of the Retirement Program Plan for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee as of December 31, 2007 and 2006, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Retirement Program Plan for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee as of December 31, 2007 and 2006, and the changes in its net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule of Assets (Held at End of Year) and Schedule of Reportable Transactions are presented for purposes of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplementary information is the responsibility of the Plan's management. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Houston, Texas
October 13, 2008

Retirement Program Plan for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee

Statements of Net Assets Available for Benefits

December 31, 2007 and 2006
(in thousand of dollars)

	2007	2006
Assets		
Investments, at fair value		
United States Government securities	$ 549,519	$ 573,336
Corporate bonds and notes	87,078	68,694
Corporate bonds - preferred	365,001	314,295
Common stocks	1,564,213	1,571,004
Pooled separate accounts	106,597	91,417
Common/collective trusts	596,027	480,562
Mutual funds	3,464	5,930
Cash	8,513	13,257
	3,280,412	3,118,495
Receivables		
Due from broker	344,729	31,376
Accrued income	8,691	9,594
	353,420	40,970
Total assets	3,633,832	3,159,465
Liabilities		
Due to broker	375,630	45,575
Net assets available for benefits	$ 3,258,202	$ 3,113,890

The accompanying notes are an integral part of these financial statements.

Retirement Program Plan for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee

Statements of Changes in Net Assets Available for Benefits

Years Ended December 31, 2007 and 2006

(in thousand of dollars)

	2007	2006
Additions to net assets		
Dividend income	$ 21,528	$ 22,911
Interest income	78,769	65,384
Rental income	-	6
Net appreciation in fair value of investments	243,731	262,377
Total additions	344,028	350,678
Deductions from net assets		
Benefits paid to participants	168,467	161,477
Administrative expenses	31,821	18,713
Total deductions	200,288	180,190
Net increase before transfers	143,740	170,488
Plan-to-plan transfers	572	-
Net assets available for benefits, beginning of year	3,113,890	2,943,402
Net assets available for benefits, end of year	$ 3,258,202	$ 3,113,890

The accompanying notes are an integral part of these financial statements.

Retirement Program Plan for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee

Notes to Financial Statements

December 31, 2007 and 2006

1. Description of the Plan

The following description of the Retirement Program Plan for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee (the “Plan”) provides only general information. Participants should refer to the Plan document for a complete description of the Plan’s provisions. Information about the Plan agreement, the vesting and benefit provisions, administrative expenses, and the Pension Benefit Guaranty Corporation’s (PBGC) benefit guarantee is also contained in the Employee Book of Benefits, which is available from the benefit plan offices of each adopting employer.

<u>General</u>

The Plan is a defined benefit plan, which covers all eligible employees of the adopting employers with contracts with the U.S. Department of Energy (“DOE”) at the Oak Ridge, Tennessee facilities. The Plan became a multiple employer pension plan effective April 1, 2000, with the participating employers being Lockheed Martin Energy System, Inc., and UT-Battelle, LLC (“UTB”). The Plan name was changed to the Retirement Program Plan for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee. Effective November 1, 2000, the contract between the Department of Energy and Lockheed Martin Energy Systems, Inc. was terminated and BWXT Y-12, L.L.C. became the successor employer and Plan Sponsor. By state of Delaware Certificate of Amendment BWXT changed and replaced its name to Babcock & Wilcox Technical Services Y-12, L.L.C. ("B&W Y-12") effective November 20, 2007. The plan was amended to name the new participating employers, UTB and B&W Y-12, at that time. The participating employers are hereafter referred to as the “Company” individually or the “Companies” collectively.

2. Summary of Significant Accounting Policies

The following are the significant accounting policies followed by the Plan:

<u>Basis of Accounting</u>

The Plan maintains its records on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, disclosures of contingent assets and liabilities, and the actuarial present value of accumulated plan benefits at the date of the financial statements. Actual results could differ from those estimates.

Investments Valuation and Income Recognition

Marketable securities are stated at fair value. Securities traded on national securities exchanges are valued at the last reported sales price on the last business day of the plan year. Net appreciation/depreciation of the fair value of investments consists of the unrealized appreciation or depreciation of investments held during the year and the realized gain or loss on investments sold during the year. The fair value of the participation units owned by the Plan in common/collective trusts is based on quoted redemption values on the last business day of the plan year.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those estimated future periodic payments that are attributable under the Plan's provisions to services rendered by the employees from their date of eligibility to the valuation date. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries. Benefits for retired and terminated employees or their beneficiaries are based on each employee's compensation during the highest three calendar years during the last ten calendar years of credited service. Accumulated plan benefits for active employees are based on their average compensation during the three calendar years preceding the valuation date. Benefits payable under all circumstances (retirement, death, disability, and termination of employment) are included, to the extent they are deemed attributable to employee service rendered to the valuation date.

Payment of Benefits

Benefit payments to participants are recorded upon distribution.

Derivative Financial Instruments

The derivatives used by the investment managers are limited to highly liquid exchange traded equity and fixed income futures and over-the-counter foreign exchange forward contracts. Short positions are collateralized with actual securities or offsetting or futures positions. Leveraging of the Plan's assets and speculation are prohibited.

3. Funding Policy

The Companies have agreed to contribute such amounts as are necessary to provide assets sufficient to meet the benefit obligations to be paid to its Plan participants. Each Company has the right under the Plan to discontinue its contributions at any time and/or terminate its participation in the Plan. Contributions by the Companies are made in amounts sufficient to meet the Employee Retirement Income Security Act of 1974 ("ERISA") minimum funding requirements utilizing the entry-age-normal actuarial cost method. The Companies have met the ERISA minimum funding requirements.

Although it has not expressed an intent to do so, the Companies have the right under the Plan to discontinue their contributions at any time and terminate the Plan subject to the provisions of ERISA.

4. Plan Termination

In the event of termination, the Plan's net assets are to be used first for the payment of retirement benefits, next for the payment of vested benefits, and finally for the payment of accrued benefits for the remaining participants. If the net assets allocated for one of the above categories are not sufficient to pay all the benefits in such category, the available net assets shall be allocated pro rata to all the benefits in that category. However, in the event of termination of the Plan, the Pension Benefit Guaranty Corporation (a U.S. government agency) guarantees the payment of all nonforfeitable retirement benefits subject to certain limitations prescribed by ERISA.

Whether all participants receive their benefits should the Plan terminate at some future time will depend on the sufficiency, at that time, of the Plan's net assets to provide for accumulated benefit obligations and may also depend on the financial condition of the Plan sponsor and the level of benefits guaranteed by the Pension Benefit Guaranty Corporation.

5. Accumulated Plan Benefits

The actuarial present value of accumulated plan benefits is the amount that results from applying actuarial assumptions to the accumulated plan benefits earned by the participants to reflect the time value of money and the probability of payment between the valuation date and the expected date of payment. As of January 1, 2007 and 2006, the actuarial present value of accumulated plan benefits as estimated by Towers Perrin, the actuary for the Plan, is as follows:

(in thousands of dollars)	**2007**	**2006**
Vested benefits		
Participants currently receiving benefits	$ 1,455,941	$ 1,362,407
Other vested benefits	1,133,701	1,043,146
	2,589,642	2,405,553
Non vested benefits	32,995	34,642
Total actuarial present value of accumulated plan benefits – January 1, 2007 and 2006	$ 2,622,637	$ 2,440,195

The significant actuarial assumptions used in the valuations were (a) life expectancy of participants (RP-2000 Mortality Table was used), (b) turnover based upon the termination experience of the Plan, (c) assumed retirement age probabilities based on the experience of the Plan, and (d) an annual discount rate of 5.78 percent and 5.77 percent for 2007 and 2006, respectively. The interest rate assumptions used to calculate the actuarial present value of accumulated plan benefits are adjusted annually to reflect current, rather than long-term, shifts in the economy. This can result in significant year-to-year fluctuations in the liability.

Factors affecting the change in the actuarial present value of accumulated plan benefits are as follows:

(in thousands of dollars)	**2007**	**2006**
Actuarial present value of accumulated plan benefits – January 1, 2006 and 2005	$ 2,440,195	$ 2,326,500
Decrease during the year attributable to benefits paid	(161,477)	(155,403)
Increase for interest due to the decrease in the discount period	136,206	137,247
Changes in accrued benefits and net actuarial gains and losses	123,054	105,404
Change in discount rate	84,659	26,447
Plan Amendments	-	-
Net increase	182,442	113,695
Actuarial present value of accumulated plan benefits – January 1, 2007 and 2006	$ 2,622,637	$ 2,440,195

The actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

6. Investments

All investment information disclosed in the accompanying financial statements and supplemental schedules including investments held at December 31, 2007 and 2006, and net appreciation (depreciation) in fair value of investments, interest, and dividends for the years then ended, were obtained or derived from information supplied to the plan administrator and certified as complete and accurate by the trustee and insurance administrators.

During 2007 and 2006, the Plan's investments (including investments bought and sold, as well as held during the year) appreciated (depreciated) in fair value as follows:

(in thousands of dollars)		**2007**		**2006**
United States Government securities	$	26,399	$	(14,106)
Corporate bonds and notes		601		(754)
Corporate bonds – preferred		3,143		(1,221)
Common stocks		163,950		190,922
Pooled separate accounts		10,289		7,330
Common/collective trusts		36,595		74,248
Mutual funds		3,247		5,711
Cash and cash equivalents		80		246
Net appreciation in fair value of investments	$	244,304	$	262,376

The fair value of individual investments that represent 5 percent or more of the Plan's net assets are as follows:

(in thousands of dollars)		**2007**		**2006**
Prudential Jennison Intermediate	$	257,843	$	258,052
Prudential Jennison Long Term		172,132		156,216
Julius Baer		175,435		185,099
Marathon – LKM02		169,177		182,010
Arronson Partners		155,109		156,999
Franklin Templeton		169,163		172,137
Sands Capital		256,546		-
Metlife SSR Income		319,193		-
Metlife SSR Fixed		239,976		-

7. Contracts with Trustee and Insurance Companies

Funds invested in separate accounts are subject to certain investment restrictions and standards set forth in the contract. Earnings of the assets invested in separate accounts are a function of the underlying assets of the separate account and not the assets of the general account. Assets invested in separate accounts are reported at the fair value of the participation units owned by the fund as of the last day of the plan year. The assets invested in separate accounts are by contract, segregated from the general account, available for transfer between accounts under the contract at their market value and are not subject to the creditors of the insurance companies.

Realized gains and losses occur at the date of sale, transfer or other disposition. Unrealized gains and losses are the result of a measurement of the change in participation unit value for assets not removed from the separate account.

8. Tax Status

The plan obtained its latest determination letter on August 7, 2002, in which the Internal Revenue Service ("IRS") stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code (the "IRC"). The Plan has been amended and restated since receiving the determination letter. The Plan Administrator believes the Plan is being operated in compliance with the applicable provisions of the IRC and therefore, no provision for income taxes has been included in the Plan's financial statements.

9. Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets available for benefits.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

10. Related Party Transactions

The Plan invests in a common/commingled trust fund managed by Northern Trust Company. Northern Trust Company is the trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions. Fees paid by the Plan for trustee, custodian and investment management services amounted to approximately $1,361,000 and $1,096,000 for the years ended December 31, 2007 and 2006, respectively.

The Plan incurs expenses related to general administration and record keeping. The cost of collecting and distributing amounts to and from participants, and of keeping the individual records for all investment fund options, are paid by the Plan. The Plan sponsor incurs certain accounting and auditing fees relating to the Plan.

11. Recent Accounting Pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements and applies to reporting periods beginning after November 15, 2007. Based on current assets held by the Plan, the Plan’s management does not expect the adoption of SFAS 157 to have a material impact on the Plan’s financial statements.

Retirement Program Plan for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee

EIN – 54-1987297 PN - 001

Schedule H, Line 4i – Schedule of Assets (Held at End of Year)

The following pages represent the assets held for investment purposes at the end of the year of the Retirement Program Plan for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee as of December 31, 2007.

Retirement Program Plan for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee

EIN – 54-1987297 PN - 001

Schedule H, Line 4j – Schedule of Reportable Transactions

The following pages represent the reportable transactions for the year ended December 31, 2007 of the year of the Retirement Program Plan for Employees of Certain Employers at the U.S. Department of Energy Facilities at Oak Ridge, Tennessee.